

THIRD CENTURY BANCORP

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For Immediate Release: April 24, 2020

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THIRD CENTURY BANCORP RELEASES EARNINGS FOR THE QUARTER ENDED MARCH 31, 2020

Franklin, Indiana, OTC/PINK “TDCB.”

Third Century Bancorp (“Company”), the holding company for Mutual Savings Bank (“Bank”), announced it had a record level of net income of \$453,000 for the quarter ended March 31, 2020, or \$0.38 per basic and diluted share, compared to net income of \$203,000 for the quarter ended March 31, 2019, or \$0.17 per basic and diluted share. The increase in net income for the first quarter 2020 compared to the same period in 2019 was primarily driven by a \$322,000 increase in non-interest income.

“I am proud to share this quarterly financial news. Our success represented in this release is due to the efforts of our entire dedicated and committed staff. This earnings report reflects our efforts as we assisted customers with their financial requests as we benefited from our 2019 investment in new systems and new products.” said David A. Coffey, President and CEO. Coffey also indicated, “COVID-19 health concerns have impacted the world. Our senior team is actively engaged with our customers so we can work together to get through this difficult health crisis. We know this concerning time will impact our business. No matter how difficult, we will manage through as we stand beside our customers as we have for 130 years.”

For the quarter ended March 31, 2020, net income increased \$250,000, or 123.23%, to \$453,000 as compared to \$203,000 for the same period in the prior year. The increase in net income for the three-month period ended March 31, 2020 was driven primarily as result of the \$322,000, or 149.03%, increase in non-interest income. This increase was also supported by a \$129,000, or 9.12% increase in net interest income, which was achieved through an increase in interest income of \$160,000, or 9.40%, partially offset by a \$31,000, or 10.75%, increase in interest expense in the quarter ended March 31, 2020 as compared to the same quarter in the prior year. The increase in interest income was due to an increase in the average yield on interest-earning assets, along with higher average interest-earning asset balances. The increase in interest expense was primarily due to higher average balances of interest bearing liabilities and a higher average rate paid on interest bearing liabilities.

The increase in net income for the quarter ended March 31, 2020 was partially the result of a \$55,000 decrease in the provision for loan losses compared to the same period in 2019 due to stable credit quality factors. The Company had net loan charge-offs of \$26,000 during the quarter ended March 31, 2020 compared to net loan charge-offs of \$15,000 for the same period in 2019. The Company acknowledges that the current COVID-19 crisis will impact the future provision for loan losses and that credit quality factors may deteriorate in future periods.

The increase in noninterest income of \$322,000 was due to increases in gains on sales of loans, trust income, and deposit fee and service charge income for the three-month period ended March 31, 2020 as compared to the prior year period. The increase in net income for the three month period ended March 31, 2020 was partially offset by a \$219,000 increase in noninterest expense and a \$38,000 increase in income tax expense. The increase in noninterest expense for the quarter ended March 31, 2020 compared to the same period in the prior year was primarily due to increases in overhead expenses. Income tax expense also increased due to an increase in taxable income, although the Company realized a decrease in the effective income tax rate to 17.10% for the quarter ended March 31, 2020 from 21.62% for the same quarter in the prior year.

Total assets increased \$7.7 million to \$183.7 million at March 31, 2020 from \$176.1 million at December 31, 2019, an increase of 4.37%. The increase was primarily due to a \$3.6 million, or 9.79%, increase in investment securities, primarily funded by a \$5.3 million, or 42.86%, increase in FHLB Advances. Federal Home Loan Bank advances were \$17.5 million at March 31, 2020 as compared to \$12.3 million at December 31, 2019. At March 31, 2020, the weighted average rate of all Federal Home Loan Bank advances was 1.18% compared to 1.74% at December 31, 2019, and the weighted average maturity was 2.4 years at March 31, 2020 compared to 1.9 years at December 31, 2019. Total loans grew to \$130.5 million at March 31, 2020 from \$128.7 million at December 31, 2019, in increase of 1.39%. Total deposits grew to \$148.2 million at March 31, 2020 from \$145.8 million at December 31, 2019, an increase of 1.65%.

The allowance for loan losses decreased by \$21,000, or 1.44%, to \$1.4 million at March 31, 2020 from \$1.4 million at December 31, 2019. The decrease was due to the net loan charge-offs of \$26,000, which was partially offset by the provision for loan losses of \$5,000. The allowance for loan losses totaled 1.12% of total loans as of March 31, 2020, as compared to 1.15% as of December 31, 2019. Nonperforming loans totaled \$107,000 or 0.08% of total loans as of March 31, 2020 as compared to \$10,000 as of December 31, 2019.

Stockholders' equity was \$17.4 million at March 31, 2020, down from \$17.6 million at December 31, 2019. Stockholders' equity decreased by \$148,000 during the quarter ended March 31, 2020 as a result of net income of \$453,000, offset by a decrease in net unrealized gain of \$601,000 of our available-for-sale securities due to current volatility levels in the market due to COVID-19. Equity as a percentage of assets decreased to 9.48% at March 31, 2020 compared to 9.98% at December 31, 2019.

Founded in 1890, Mutual Savings Bank is a full-service financial institution based in Johnson County, Indiana. In addition to its main office at 80 East Jefferson Street, Franklin, Indiana, the bank operates branches in Franklin at 1124 North Main Street and the Otterbein Franklin Senior Life Community, as well as branches in Nineveh, Trafalgar and Greenwood, Indiana.

This press release contains certain forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of the Company. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like “believe,” “expect,” “anticipate,” “estimate” and “intend” or future or conditional verbs such as “will,” “would,” “should,” “could” or “may.” Certain factors that could cause actual results to differ materially from expected results include the COVID-19 pandemic, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business of the Company and the Bank, and changes in the securities markets. Except as required by law, the Company does not undertake any obligation to update any forward-looking statements to reflect changes in belief, expectations or events.

Condensed Consolidated Statements of Income

(unaudited, except for periods in the twelve months ended December 31, 2019)

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Selected Consolidated Earnings Data:			
Total interest income	\$ 1,864	\$ 1,819	\$ 1,704
Total interest expense	<u>318</u>	<u>363</u>	<u>287</u>
Net interest income	1,546	1,456	1,417
Provision for losses on loans	<u>5</u>	<u>-</u>	<u>60</u>
Net interest income after provision for losses on loans	1,541	1,456	1,357
Noninterest income	538	404	216
Noninterest expense	1,533	1,454	1,314
Income tax expense	<u>94</u>	<u>85</u>	<u>56</u>
Net income	<u>\$ 453</u>	<u>\$ 321</u>	<u>\$ 203</u>
Earnings per basic and diluted share	\$ 0.38	\$ 0.27	\$ 0.17

Condensed Consolidated Balance Sheet

(unaudited, except for periods ended on or before December 31, 2019)

	March 31, 2020			December 31, 2019			March 31, 2019		
	<u>2020</u>			<u>2019</u>			<u>2019</u>		
Selected Consolidated Balance Sheet Data:									
Assets									
Cash and Due from Banks	\$	5,798	\$	3,839	\$	6,358			
Investment Securities, Available-for-sale, at fair value		40,320		36,724		18,231			
Loans held-for-sale		447		713		483			
Loans held-for-investment		130,071		128,019		131,638			
Allowance for loan losses		<u>1,454</u>		<u>1,475</u>		<u>1,401</u>			
Net Loans		129,064		126,544		130,237			
Accrued interest receivable		620		571		451			
Other Assets		<u>7,964</u>		<u>7,677</u>		<u>7,936</u>			
Total Assets		<u>\$ 183,766</u>		<u>\$ 176,068</u>		<u>\$ 163,696</u>			
Liabilities									
Noninterest-bearing deposits	\$	27,598	\$	23,502	\$	21,478			
Interest-bearing deposits		<u>120,609</u>		<u>122,304</u>		<u>107,851</u>			
Total Deposits		148,207		145,806		129,329			
FHLB Advances		17,500		12,250		17,000			
Accrued interest payable		84		103		96			
Accrued expenses and other liabilities		<u>552</u>		<u>338</u>		<u>550</u>			
Total Liabilities		<u>166,343</u>		<u>158,497</u>		<u>146,975</u>			
Stockholders' Equity - Net		<u>17,423</u>		<u>17,571</u>		<u>16,721</u>			
Total Liabilities and Stockholders' Equity		<u>\$ 183,766</u>		<u>\$ 176,068</u>		<u>\$ 163,696</u>			

Selected Financial Ratios and Other Data:

Interest rate spread during period	3.45%	3.45%	3.64%
Net yield on interest-earning assets	4.40%	4.38%	4.25%
Noninterest expense, annualized, to average assets	3.45%	3.31%	3.25%
Return on average assets	1.02%	0.73%	0.50%
Return on average equity	10.23%	7.37%	4.90%
Average equity to assets	9.98%	9.93%	10.25%
Average Loans	\$ 129,481	\$ 127,733	\$ 131,200
Average Securities	36,804	36,856	18,158
Average Other Earning Assets	3,182	3,135	3,894
Total Average Interest-Earning Assets	169,467	167,724	153,251
Average Total Assets	177,702	175,382	161,387
Average Noninterest-bearing deposits	\$ 24,975	\$ 24,229	\$ 21,703
Average Interest-bearing deposits	123,142	120,889	105,354
Average Total Deposits	148,117	145,118	127,057
Average Wholesale Funding	10,940	12,060	17,250
Average Interest-Bearing Liabilities	134,082	132,949	122,604
Average Interest-Earnings Assets to Average Interest-Bearings Liabilities	126.39%	126.16%	125.00%
Non-performing loans to total loans	0.08%	0.01%	0.09%
Allowance for loan losses to total loans outstanding	1.12%	1.15%	1.06%
Allowance for loan losses to non-performing loans	1358.48%	1475.00%	1129.84%
Net loan chargeoffs/(recoveries) to average total loans outstanding	0.08%	0.01%	-0.01%
Effective income tax rate	17.10%	20.93%	21.62%
Tangible book value per share	\$ 14.76	\$ 14.89	\$ 14.17
Market closing price at the end of quarter	\$ 11.40	\$ 11.95	\$ 11.60
Price-to-tangible book value	77.23%	80.26%	81.86%